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MEMORANDUM

TO: Chairman, Steering Group, EDAC

FROM: Chairman, Working Group on Policy for Utilizing Name Intelligence

SUBJECT: Final Report

This refers to ED/SG OM-20 of January 12, 1953, requesting a final report on this Working Group.

A. Summary of Working Group Activities

The Working Group on Policy for the Utilization of Name Intelligence was constituted by the Steering Group on September 9, 1952 (ED/SG OM-17) and held a series of meetings shortly thereafter. The problems of applying name intelligence in the economic defense program were outlined in a paper entitled "Administrative Action Program in Support of Economic Defense Policies," which contained 15 recommendations relating to a proposed Administrative Action Program. The preliminary draft of this paper was submitted to the Steering Group on October 22, 1952.

This paper (EDO D-6/1, November 4, 1952) was discussed at the EDO Conference in Paris. The comments of the Economic Defense Officers were studied by this Working Group late in December, as the result of which certain sections of the paper were redrafted.

B. Comments on Administrative Action Program Paper

The attached redraft of the paper, which has just been completed, reflects certain suggestions of both the Steering Group and the Economic Defense Officers. Part of the suggestions are covered in a second annex (Annex B) entitled "Possible Methods of Implementing the Administrative Action Program."

Attention is directed to the attached memorandum from the Department of State member of the Working Group setting forth that Department's views that the principles expressed in paragraph 3 on page 3, and paragraph 8-B (b) on pages 5 and 6 should be eliminated. In addition, the Department of State insists that, before any administrative action is taken, the governments concerned should be notified. These changes were not incorporated in the paper, inasmuch as other members\* of the

\*The CIA member abstained from commenting on this point "without prejudice". The MSA member was not present at the meeting at which this report was drafted.

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Working Group find the paper acceptable on these points. Furthermore, it is their belief that the Steering Group requested that the paper be redrafted for the purpose of clarifying it, rather than changing basic principles previously cleared with the Steering Group.

In this connection the Steering Group should bear in mind that the criteria set forth in this paper serve merely to identify the kinds of activity carried on by foreign firms which may be considered for administrative action, but do not specify mandatory action by member agencies. The paper recognizes the need for degrees of stringency in administrative action, varying with the circumstances; it also recognizes the member agencies' rights to freedom of action. At the same time, the Working Group (with the exception of the State Department member) believes that any further narrowing of the criteria will serve to exclude from consideration certain activities which, while not calling for administrative action, should nevertheless be subjected to central inter-agency judgments, rather than single agency judgment.

✓ It was determined in informal discussions with members of the IWG, that the functions of the proposed permanent administrative action panel would not be in conflict with the proposed IWG intelligence desk.

C. Recommendations of this Work Group

Paragraph 1 of the Recommendations of the attached paper (see page 2) states: "There be assigned within the EDAC agency structure the responsibility for insuring the efficient operation of an Administrative Action Program . . .". It is noted that under the Reorganization of EDAC committees, the "Working Group on Application and Enforcement" will be responsible for the Administrative Action Program. Clarification of certain points raised in the paper may be requested before the Administrative Action Program will receive final approval; coordinated decisions will have to be made concerning action by U. S. Missions abroad against certain suspected East-West trade violators as indicated in messages from these Missions. (The Working Group members are presently considering a request from the American Embassy at Kabul, Afghanistan for an evaluation of the security status of the German forwarding firm, Schenker. The Embassy there has received apparently conflicting reports from different agencies and it is becoming more apparent that there is need for a central point for arriving promptly at coordinated judgments in such matters.) In addition, questions may come up concerning the International Watch List; these questions are so closely related to the proposed Administrative Action program that they must be considered as falling within the same field.

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For these reasons, and in order to have a continuing body of representatives from the interested agencies who are best informed on the subject to deal adequately with these, and related questions, and who will probably have primary responsibility for the implementation of the program, it is recommended:

- ✓ (a) that the Working Group on Application and Enforcement establish a temporary "Administrative Action Sub-group;"
- (b) that this sub-group be charged with dealing with all questions concerning the security status of firms and persons abroad, as may arise before the paper on "Administrative Action" is approved, as well as similar questions in connection with the International Watch List;
- (c) that this temporary sub-group be charged with
  - (1) making recommendations as to the establishment and terms of reference of a permanent panel, committee, or working group to ensure the efficient and immediate implementation of the Administrative Action Program after it has received final approval;
  - (2) drafting a paper to be forwarded to U. S. Missions abroad informing them as to the immediate steps to be taken to ensure the efficient and prompt implementation of their part of the program.

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ADMINISTRATIVE ACTION PROGRAM IN SUPPORT  
OF ECONOMIC DEFENSE POLICIES

Problem:

At the present time the procedures for implementation of the economic defense policies which determine the denial of United States aid, goods, technical data, or funds to individual firms and persons acting contrary to United States security interests, vary from country to country and from agency to agency. Our economic defense policy - as defined in NSC 104/2, the Battle Act, the Mutual Security Act, the Export Control Act, the Executive Orders issued under the Trading With The Enemy Act, etc. - lacks a uniform, coordinated program for taking economic and financial action against firms and persons abroad willfully engaging in undesirable and improper East-West Trade (as defined in para. 8A and B below) involving strategic commodities or services as determined by the United States.

The foregoing does not imply a disregard for U. S. security interests by U. S. agencies in Washington and U. S. Missions abroad in their dealings with firms and individuals trading with the East. However, the lack of uniformity and consistency in the assembly, evaluation, and use (particularly overseas) of derogatory information regarding traders throughout the world has made it difficult to use name intelligence effectively to implement existing economic defense policies, thereby decreasing the effectiveness of these policies. Insufficient attention has been accorded the problems of name intelligence assembly and use, and some areas of possible application of such intelligence have been overlooked or virtually ignored.

The establishment of the Administrative Action Program described below could correct this deficiency. It should be noted that measures would be taken against certain firms and/or individuals rather than against the Governments of the countries in which they are domiciled. These measures would not be considered as substitutes for P. L. 213 (the Battle Act), the provisions of which require termination of aid to countries under certain circumstances.

Conclusions:

A. There is need for the strengthening, intensification and coordination of collection efforts in respect to name intelligence, and for tapping all available sources of such intelligence.

B. There is need to consider the application to this problem (as outlined in the opening paragraphs above) of certain procedures not now employed.

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C. There is need for interagency machinery charged with formulating and transmitting, wherever possible, a single coordinated recommendation to the responsible operating agencies regarding action to be taken against firms or individuals abroad acting contrary to Free World security objectives, to the extent that such action is consistent with the United States economic defense policy. Uniform criteria for determining and categorizing various degrees of culpability, along with corresponding measures to be taken, should be formulated, so far as possible, with a view to establishing the widest common area of agreement among the various agencies concerned. Action on the basis of any recommendations which may be made must of course remain the responsibility of the operating agency involved in any particular case, since each recommendation has to be appraised by the operating agency in the light of the legal considerations arising out of the statutes and regulations which it is administering as well as other considerations relevant to the agency's overall operations. It is also recognized that, even though there might be agreement among all agencies that the available facts call for administrative action, situations may develop subsequent to such agreement which would, on balance, override the evidence available, and require a review of the case.

Recommendations:

In carrying out this administrative action program it should be kept in mind that the effectiveness of the program as a part of our overall economic defense policy will depend to a large degree upon its acceptability by the foreign countries concerned. To avoid undue foreign criticism the cooperation of foreign countries should be solicited wherever appropriate. A program of this sort if improperly administered is bound to have extensive repercussions in the field of public relations; great care should therefore be taken to carry out the program in a manner which responsible persons in all countries will regard as justifiable. Recognizing the far reaching effects a program of this nature may have, recommendations for administrative action should be made only in clearly justified cases.

It is accordingly recommended that:

1. There be assigned within the EDAC interagency structure the responsibility for ensuring the efficient operation of an administrative action program by (a) arranging for the adequate collection and interchange of information about firms or individuals acting contrary to the U. S. security interests, and (b) the evaluation of such information and the formulation of recommendations consistent with present U. S. economic defense policies for the application in a uniform and effective manner of administrative actions to such individual firms and persons. Participation in this effort at the working level should include representatives from DMS, State, Commerce, Defense, Treasury, NSA, CIA, (to the extent appropriate) and other agencies as required. This continuing program would encompass a review of reports

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from the Missions as well as any relevant information available in Washington, and the categorization of firms and individuals which are subjects of such reports in accordance with agreed-upon criteria. (See number 8 below). Other elements of this program are detailed in subsequent paragraphs.

2. United States Missions be instructed to review and evaluate, on a continuing basis, all information available to the various elements, including CIA to whatever extent possible, indicating what firms or individuals are, or are strongly suspected, of being engaged in undesirable and improper East-West trade (as defined in para. 8A & B below) involving strategic commodities or services as determined by the United States. This review can be carried out under the Mission's Economic Defense Panel, if one has been established, or through whatever other means the Chief of Mission has set up for coordinating the Economic Defense Program (See Circular Airgram of July 3, 1952). Similar material presently available in Washington may be forwarded to the country Missions concerned, or if an initial review of particular cases is desired in Washington, the Missions should be notified accordingly and requested to submit any additional information to Washington.

3. Before any action is considered against a firm and/or individual who have shipped commodities or rendered services to the Soviet Bloc which are determined to be strategic by the United States, but are not so classified by the country in which the firm and/or individuals are domiciled, it must be ascertained that a request to establish a strategic classification was addressed to the country concerned by the United States, through COCOM, or directly. If that is the case, action against the firm and/or individual should be considered. Such action should, however, only be taken if it can be established that the firm and/or individual have been advised that the United States considers shipments of these commodities or rendering services to the Soviet Bloc as being contrary to its security interests. If this cannot be clearly established, United States Missions should inform the firms and/or individuals involved, through their governments or directly, that continued shipments of these commodities may result in the denial of certain United States privileges, i.e., administrative action. If the firm and/or individual then indicate that they will not discontinue such shipments or services, or if evidence of continued similar shipments or services is obtained, administrative action should be taken.

4. If the facts of a case indicate that a violation of the Battle Act has occurred, the issue becomes one between Governments and the case should be referred to Washington without action by the country Mission.

5. United States Missions be instructed to continue to pass to Washington, repeating to the post concerned, all available relevant intelligence on suspected firms and individuals of other countries. If found practicable, all material passing in each direction should contain an appropriate code phrase (such as EXCON ADMIN ACTION) to insure quick distribution to the interested agencies and individuals.

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6. The Department of Commerce be utilized as the principal depository for the name intelligence relating to this proposed program. The Department of Commerce should have prime responsibility for the preparation of case dossiers to be considered for recommendations as to administrative action; but any agency, as well as any of the Missions, may present a dossier and recommend that a case be considered.

7. The Mission's review and evaluation of information as requested in No. 2 above, together with recommendations as to action to be taken against the firms or individuals involved, be transmitted through the Chiefs of Diplomatic Mission to the Department of State for EDAC consideration. If a disagreement exists within the Mission, the case should be referred without action to Washington for resolution and decision. Information copies of case reports involving European individuals or firms should also be passed to SRE Paris for comments.\* Within the EDAC structure in Washington, on the basis of all information submitted, an appropriate recommendation shall be formulated in each case. This recommendation will be provisional pending receipt of final comments from the Missions.

The following are illustrative of the types of action which might be recommended. It is recognized that in certain cases, agencies may find it inadvisable to take provisional action, and will either have to take final action or withhold all action until a final recommendation is made.

- (a) Denial of United States Government contracts.
- (b) Denial of export licenses for any item on the U. S. Positive List.
- (c) Denial of direct benefits of the Mutual Security Program such as
  - participation as an importer or end-user in MSA-financed transactions;
  - the use of counterpart funds;
  - participation in MSA productivity and technical assistance programs;
  - MSA priority assistance;
  - participation in MSA guarantee program.

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\*The function of SRE, Paris, with regard to the Administrative Action Program will be to supplement the case information and recommendations furnished by the country Missions. It is felt that SRE, as coordinator of U. S. activities in Europe, will have economic, defense production, intelligence, military, and political information not available to the Missions or Washington which might permit it to make independent appraisals of the cases under study.

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- (d) Denial of Export-Import Bank loans.
- (e) Denial of classified technical information.
- (f) Blocking of assets subject to the jurisdiction of the United States.
- (g) Denial of U. S. visas and U. S. passports.
- (h) Denial of priority assistance by agencies other than MSA.
- (i) Denial of the benefits of the TCA program.

8. A list of foreign firms, categorized and titled as below, be considered for compilation in a U. S. Administrative Control List:

U. S. Administrative Control List

A. Designated Nationals

Specified firms and individuals which have been blocked by the Treasury Department.

B. Undesirable Trade Contacts

Firms and individuals covered by the criteria listed below:

(a) Firms or persons who have knowingly and willfully participated, as exporters or otherwise, in transactions in violation of East-West trade control regulations applicable in their respective governments, irrespective of where such action took place. (These criteria are intended to cover firms or individuals abroad who can be held responsible by their governments for transactions or services which are violations of the East-West Trade Control Regulations of their own governments, whether or not the goods were produced locally or in other countries. Since foreign exporters and importers are presumed to know their own trade control regulations, any violations are presumed to have been undertaken "knowingly". Furthermore, in those countries which subscribe to the IC/VD system, import permits issued to importers specify that re-exportation or diversion without prior authorization by the Government, is illegal).

(b) Firms or persons who have willfully participated, as exporters or otherwise, in transactions or services in violation of any U. S. regulations or policy decisions relating to East-West trade of which they were officially

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informed and with which they were advised to comply in order to avoid U. S. Administrative Action (see para. 3 above). (The intent here is to enable consideration for administrative action against firms or individuals shipping commodities not of U. S. origin and not the subject of international embargo agreements, but classified as strategic in the United States).

(c) Firms or persons against whom there is clear and convincing evidence of intent to participate, as exporters or otherwise, in transactions or services covered by (a) or (b) above.

In respect to firms in the foregoing categories, consideration would be given to their nomination for the International Watch List and to the application of such forms of administrative action as appear to be warranted by the circumstances (see paragraph 7 above). In appropriate instances it would be recommended to Commerce that in replying to inquiries from U. S. exporters that agency would describe such firms or individuals as undesirable trade connections and should recommend withholding of trade relations.

#### C. Suspect Traders

Firms and individuals which have been placed on the special lists of either Commerce, Treasury, Munitions Division of State, or any other agency maintaining lists for the administration of its policies but which do not qualify for either categories "A" or "B" above.

It will be understood in respect to these firms that no action would be recommended by the Administrative Action group, but agencies would be expected to obtain details from a designated central source before dealing with these firms; and if they should take any action, to notify EDAC.

9. Where there is disagreement at the working level on the recommendations to be made, the case be reviewed at an appropriate higher level.

10. Discussions be held with peripheral users of name intelligence not directly represented in this Administrative Action program, with a view to explaining the utility of the U. S. Administrative Control List, and where appropriate reaching understanding as to its application by each user.

11. The structure under EDAC established for the administration of this program should be designated as the responsible agency in the Government for evaluating all name intelligence relating to this program, whether or not the firms or individuals involved immediately qualify or appear to qualify for administrative action under the program.

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12. The implementation of this administrative action program should be governed by the basic policies of the Economic Defense Program as outlined in NSC 104/2, the Mutual Defense Assistance Control Act, the Mutual Security Act, the Export Control Act, etc.

13. Pending decision in Washington by the responsible agency after receipt of a final EDAC recommendation the Country Mission and Overseas Command may determine provisional administrative action with respect to:

- (a) denial of U. S. Government contracts where such contracts are negotiated on the basis of authority delegated to the field;
- (b) denial of direct benefits of the Mutual Security Program such as participation as an importer or end-user in MSA-financed transactions; the use of counterpart funds; participation in MSA productivity and technical assistance programs;
- (c) denial of classified technical information including specifications for contracts;
- (d) denial of U. S. visas and passports.

Washington should be notified in every case of this action and it will remain provisional and interim until confirmed by Washington on the basis of the review of the case.

14. In taking any steps necessary to implement its part in the administrative action program, the Mission involved should to the extent desirable and appropriate notify the foreign government. The Government should be informed that the action taken will be subject to review to the extent legally possible when its comments, based on its own investigation of firms and individuals, are received.\* These comments should be made available to EDAC for re-examination of the case and formulation of final recommendations to the Agencies. It is desirable, wherever appropriate, that the Missions solicit the cooperation of the foreign governments in investigating and confirming information about suspect firms or individuals in the country. The foreign governments may prove to be a source of additional information for the names of firms known to the East-West trade violators.

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\*It should be stressed that any non-cooperation by local governments causing an undue delay in or refusal to forward comments, will work to the detriment of the foreign firm and/or individual involved, inasmuch as the administrative action will have to remain in effect until reviewed. Comments from the governments will generally form the only possible basis for review.

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15. In appropriate cases the Mission be instructed to suggest to the foreign governments concerned that the names of firms or individuals involved be submitted to COCOM for inclusion in the International Watch List, should agreement on such a list be reached.

16. The cooperation of U. S. exporters be sought to a greater extent as sources of name intelligence. This can be done in two ways: by soliciting their voluntary cooperation and by making more effective use of information which they are required to submit in license applications.

17. The program of voluntary compliance with export control and other regulations on the part of American firms be strengthened. This would involve an increase, where appropriate, of judicious publicity concerning the existence and various aspects of Treasury and Commerce controls with a view to (a) discouraging infraction of the regulations and (b) encouraging U. S. firms to seek advice in respect to the desirability of trading with suspect foreign firms. Many U. S. firms are anxious and eager to avoid trade with suspect firms, for both practical and patriotic reasons. This represents an opportunity to increase the efficiency of controls over the movement of goods, technical data and services to the Soviet bloc.

18. There be circulated periodically to the Missions abroad and to the interested Washington agencies summaries of the recommendations made and the actions taken. These summaries would serve to indicate the type of action taken in respect to certain cases, and the precedents established.

Annex A - "The Administrative Action Program" (Annex G of the "Brief on the Implementation in Germany of the Mutual Defense Assistance Control Act (The Battle Act)" prepared by the Office of the U. S. High Commissioner for Germany, August 24, 1952). (Not attached as no changes made in it).

Annex B - Possible Methods of Implementing the Administrative Action Program.

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ANNEX B

POSSIBLE METHODS OF IMPLEMENTING THE  
ADMINISTRATIVE ACTION PROGRAM  
(Particularly Section 7)

(a) Denial of U. S. Government Contracts:

Included are some off-shore procurement contracts as well as those by the Departments of Army, Navy, Air Force, State, and Interior, and WSA, TCA, DMPA, Maritime Commission, and other agencies in connection with their normal administrative and other activities. Contracts in this category are negotiated by each agency through its authorized procurement officers. It is necessary, therefore, that all Washington agencies as well as all field procurement officers be notified of the names of the firms against which administrative action has been taken, and that information bearing on the security status of other firms is available from a central source.

In the field of off-shore procurement, "bilateral agreements" are concluded with the various NATO countries which, as in the case of the U. K. agreement -- the only one concluded so far -- will contain a specific reference to the effect that off-shore procurement contracts issued under the agreements are subject to the provisions of the Battle Act. In future agreements with NATO countries, attempts will be made to be more specific in line with the proposed "Administrative Action Program," and in order to enforce its provisions.

Contracts will also be denied if other contract participants - i.e. agents, etc. - have been the objects of the Administrative Action Program. The Department of Defense has already advised its procurement agencies abroad in respect to certain unsatisfactory firms.

(b) Denial of Positive List Exports:

Export Control over Positive List items is exercised by three agencies: fissionable materials and equipment in which the Atomic Energy Commission has a special interest, by the AEC; arms, ammunition and implements of war by the Munitions Division of State; and all other Positive List items by the Office of International Trade, Commerce.

AEC control is exercised through the licensing of the U. S. manufacturer or shipper, rather than the licensing of transactions. Where a consignee is found to be objectionable or questionable, the AEC instructs the shipper to withhold shipment.

The Munitions Division registers U. S. shippers of arms, ammunition and implements of war and also licenses individual transactions. Applications to ship are checked against the Division's own records, which represent

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the systematic collection of information on the suspicious activities of both U. S. shippers and foreign consignees, from Government sources. When information in Washington is not adequate to make a decision, the transaction is checked with the appropriate Foreign Service post.

The exportation of any other Positive List items require a validated export license from Commerce. Commerce checks all license applications against its so-called Watch List Screen. The appearance of a name on this screen indicates the existence of information that the firm is suspected of or is known to have engaged in activities contrary to U. S. national interests. This screen includes the names of firms which have been judged as "undesirable trade connections" and license applications naming such firms are rejected summarily. These include firms whose licensing privileges have been suspended following administrative action in Commerce, as well as firms which have been classified as "undesirable" by the Commerce Name Intelligence Policy Committee.

A fourth agency, the Bureau of the Mint, licenses the export of bullion, (which is strictly speaking not a Positive List item) in the process of which the files of the Department of Commerce and other agencies are consulted.

In the case of all of these agencies, the criteria for the rejection of applications for permission to ship lie well within the range of the criteria outlined in Section 8-B of the proposed Administrative Action Program, and these agencies would all, in general, find no difficulty in complying with recommendations for punitive action. They would, in fact, probably anticipate such recommendations on their own initiative, if the same facts were available to them.

Foreign sales agents, who operate strictly as "order-takers" on a commission basis, often do not figure in export license applications; and accordingly are not susceptible of control under the licensing procedures. However, where such agents are considered undesirable from a security point of view, Commerce can and does prevail on U. S. manufacturers to replace them.

(c) Denial of direct benefits of the Mutual Security Program such as

- i. participation as an importer or end-user in MSA-financed transactions;
- ii. the use of counterpart funds;
- iii. participation in MSA productivity and technical assistance programs;
- iv. MSA priority assistance;
- v. participation in MSA guarantee program.

MSA could take all of these types of action without violating its bilateral agreements with aid recipient countries, but it would have to rely on the government of such countries for the implementation

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of i and ii. MSA does not ordinarily determine which individuals or firms shall receive counterpart assistance or participate in the import, financing, or use of MSA-financed commodities. MSA action in these instances would, therefore, be limited to informing the local government of the names of firms or individuals who should be denied these benefits. It should be apparent that this condition places these particular types of punitive action in a somewhat different category from the others that have been proposed. It would immediately raise the question in minds of the foreign government as to the validity and merits of the judgments which we have made and would occasion a desire on their part to have full access to the facts on which the judgment was based.

The above conditions apply to some extent to iii and iv but do not apply to v.

Although the situation would vary from country to country, it is doubted that there would be very many instances of individuals or firms presently enjoying direct benefits from the MSA program, against whom action should be taken on the basis of the criteria with which MSA is prepared to agree.

(d) Denial of Export-Import Loans:

Where EXIM Bank loans specify individual firms which will participate in the projects, denial of this aid can be made by the Bank in Washington. For loans in which the participants are not named the governments will have to be requested to deny assistance resulting from the loans to firms named by the U. S. Government.

(e) Denial of Classified Technical Information:

Access to U. S. plants and installations engaged in classified work can be decided by the Department of Defense or other Federal agencies responsible for the classification. In addition, the Government could, through such agencies as the Facilities Protection Board, recommend to firms that access to unclassified but vital industrial plants and installations be denied.

Classified technical information by a government agency can be released by the agency in accordance with U. S. security regulations. Where the release is made to a foreign government, the latter can be requested by the originating U. S. agency, in accordance with the terms of the Memorandum of Understanding between the U. S. and foreign governments governing the release, to deny access to firms and persons against whom administrative action has been taken.

Under the Export Control Act the Department of Commerce renders advisory opinions concerning the desirability of exporting unclassified advanced technical data to foreign firms in friendly countries. Commerce is thus in a position to request the withholding of technical data, and has done so in appropriate cases.

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## (f) Blocking of Assets Subject to the Jurisdiction of the United States:

The Foreign Assets Control Regulations (set forth as Chap. 5, Sub-title (b) of Title 31 of the Code of Federal Regulations) prohibit dealings in the U. S. assets of, and trade and financial transactions with, Communist China or its nationals. Since the purpose of the Regulations is to prohibit undesirable transactions without unduly interfering with desirable transactions, general licenses exist which allow transactions with certain citizens of China and with the assets of such persons. Where information exists that such persons are acting in an unsatisfactory manner, they are deprived of the privileges of the general licenses. Also, a person or firm which acts for or on behalf of Communist China can be found to be a "specially designated national". This would block his American assets. Similarly, dollar assets of non-Chinese persons or banking institutions can be blocked where evidence is found that they engaged in dollar trade or financial transactions with Red China.

## (g) Denial of U. S. Visas and U. S. Passports:

The Department of State has indicated that implementation of these proposed actions presents no new problems.

## (h) Denial of Priority Assistance:

MSA, Washington (for those countries with MSA programs) and the Department of Commerce, Office of International Trade (for all other countries) act as Claimant Agencies on behalf of foreign firms seeking NPA priority assistance. The necessary applications are usually initiated by the foreign missions in Washington. Although the issuance of priorities is closely related to the approval of export licenses, the actual denial is accomplished by the Claimant Agency's refusing to request assistance from NPA.

## (i) Denial of the Benefits of the TCA Program:

Instructions may be given to the TCA Director in the country concerned to the effect that contracts shall not be awarded certain firms and/or individuals who are known to have violated East-West Trade Agreements.

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January 22, 1953

TO : E. F. Becker, Chairman Working Group  
on Policy for the Utilization of Name Intelligence

FROM : State Department Member - Grant S. Meas

SUBJECT : Comments on Working Group Paper on  
"Administrative Action Program"

The following comments are offered on the above paper with the request that they be included therein:

1.) The Administrative Action Programs should not be extended to cover firms and/or individuals who have shipped commodities or rendered services to the Soviet Bloc which are determined to be strategic by the United States, but are not so classified by the country in which the firm and/or individuals are domiciled.

This opinion is based on the following reasons:

a. The taking of such action would appear to be a violation of the spirit of multilateral COCOM agreements.

b. The taking of such action would represent unilateral interference with the laws and regulations of a sovereign government.

c. The taking of such action and/or the threat to take such action might needlessly jeopardize our security interests in other fields.

2.) With regard to firms and/or individuals who have violated East-West trade controls applicable in their respective countries, it is understood that the foreign government concerned will be notified of such violation before administrative action is taken.

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